CANADA - PRINCE EDWARD ISLAND ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT

THIS AGREEMENT made this day of , 1984.

BETWEEN: THE GOVERNMENT OF CANADA (herein referred to as "Canada"), represented herein by the Minister of State for Economic and Regional Development,

OF THE FIRST PART,

AND: THE GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND (herein referred to as "Prince Edward Island"), represented herein by the Premier of the Province of Prince Edward Island,

OF THE SECOND PART,

WHEREAS, pursuant to Section 36 of the Constitution Act, 1982, Canada and Prince Edward Island are committed to furthering economic development to reduce disparity in opportunities;

AND WHEREAS Canada and Prince Edward Island intend to cooperate in the implementation of appropriate federal and provincial measures for the economic development of the Province and by this Agreement to provide a general framework for the coordinated planning and implementation thereof;

AND WHEREAS Canada and Prince Edward Island agree that it is in the public interest to undertake and implement coordinated measures by their respective departments and agencies to improve the economic development of the Province consistent with the economic development framework as described in Schedule "A" attached hereto;

AND WHEREAS the Governor-in-Council by Order-in-Council No. 1984-1090 of the 29th day of March 1984, has authorized the Minister of State for Economic and Regional Development to enter into this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor-in-Council by Order-in-Council No. of the day of 1984, has authorized the Premier of Prince Edward Island to enter into this Agreement on behalf of Prince Edward Island;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, convenants and agreements herein contained, the parties convenant and agree as follows:

1.0 DEFINITIONS:

1.1 In this Agreement:

(a) "Course of Action" includes the steps identified pursuant to subsection 5.1(d);

(b) "Federal Minister" means the Minister of State for Economic and Regional Development for Canada and includes anyone authorized to act on his behalf;

(c) "Implementing Ministers" means the Ministers for Canada and the Ministers for Prince Edward Island having the responsibility and authority for the implementation of Measures (as defined below in subsection 1.1(d)) contained in the Course of Action;

(d) "Measures" include any policies, programs, activities, initiatives or projects of Canada or Prince Edward Island falling within the ambit of the economic and regional development framework described in Schedule "A", attached hereto, and relating to the strategic priorities contained therein;

(e) "Memorandum of Understanding" means an agreement for implementing a Measure contemplated by subsection 6.1 made under the authority of the appropriate Implementing Ministers;

(f) "Ministers" means the Federal Minister, the Premier (as defined below in subsection 1.1(h)) and the appropriate Implementing Ministers of Canada and Prince Edward Island;

(g) "Province" means the Province of Prince Edward Island;

(h) "Premier" means the Premier of the Province of Prince Edward Island and includes anyone authorized to act on his behalf;

(i) "Subsidiary Agreement" means an agreement for implementing Measures contemplated by subsection 6.2 made under the authority of the appropriate Implementing Ministers.

2.0 PURPOSE

2.1 The purpose of this Agreement is to facilitate cooperation between Canada and Prince Edward Island in identifying and in implementing Measures for the economic and regional development of the Province by establishing procedures for consultation and coordination, to provide a framework within which such Measures may be taken, to identify development opportunities and to determine the means for implementing Measures identified for coordinated and cooperative action.

3.0 OBJECTIVES

3.1 The objectives of this Agreement are:

a) to stabilize and diversify the economic base of the Province and its communities in order to encourage balanced economic growth and to make the Province's economy less vulnerable to changes in world market conditions;

b) to stimulate economic growth in the Province and thereby increase provincial self-reliance, create additional employment and income opportunities and enhance the Province's contribution to the national economy;

c) to better utilize the human resources of the Province in order to provide its economy with increased flexibility to meet changing economic conditions and to maximize employment opportunities.

4.0 IMPLEMENTATION OF MEASURES

4.1 To achieve the objectives contemplated herein, Canada and Prince Edward Island agree, subject to approval by their appropriate authorities, to undertake Measures identified in the Course of Action and to pursue the economic development strategy outlined in Schedule "A" attached hereto.

4.2 Canada and Prince Edward Island in implementing Measures for the economic development of the Province will, wherever possible, utilize existing programs of their respective departments and agencies.

4.3 The parties hereto agree that the Federal Minister will undertake to ensure the general co-ordination of federal programs and activities and that the Premier will undertake to ensure the general co-ordination of provincial programs and activities carried out under this Agreement.

5.0 CONSULTATION AND COORDINATION

5.1 Ministers shall meet at least annually to:

(a) review the economic and regional development environment of the Province including major economic development opportunities and constraints thereto;

(b) report on and review the progress made in pursuing the strategic priorities described in Schedule "A" attached hereto and in implementing and pursuing the Measures identified in the Course of Action for the previous year;

(c) review and recommend revisions to the strategic priorities described in Schedule "A" attached hereto, where appropriate;

(d) establish a Course of Action to be undertaken and pursued in the ensuing year, which inter alia, may include:

i) steps which Ministers intend to undertake to facilitate joint economic studies or joint planning in support of the economic and regional development of the Province;

ii) steps which Ministers intend to undertake in the application, amendment or redirection of existing programs and policies in the economic and regional development of the Province; or

iii) steps which Ministers intend to undertake in developing new policy or program initiatives where none presently exist.

5.2 The Federal Minister and the Premier shall each designate a co-ordinator who will each be a senior public officer. These officers, acting jointly, shall be responsible for the general coordination of Measures to be implemented under this Agreement.

6.0 INSTRUMENTS

6.1 Memoranda of Understanding

6.1.1 Where Ministers have identified Measures for the Course of Action which involve only procedures or expressions of intent to undertake particular action with respect to a policy, program or activity, the appropriate Implementing Ministers may enter into a Memorandum of Understanding describing the procedures or the action they intend to take with respect to the Measures.

6.2 Subsidiary Agreements

6.2.1 Where Ministers have identified Measures for the Course of Action involving the undertaking of programs on the part of both governments, the appropriate Implementing Ministers, subject to subsection 4.1, shall negotiate and enter into a Subsidiary Agreement subject to approval by their appropriate authorities, on behalf of Canada and Prince Edward Island specifying the Measures to be performed by each government; providing for the establishment of a Management Committee consisting of equal federal and provincial representation and at least one senior official designated by each of the Implementing Ministers to administer and manage the Subsidiary Agreement, defining an appropriate division of the responsibility and providing, where appropriate, for the following:

(a) coordination of existing federal and provincial policies, programs or activities which support the Measures to be implemented, including Measures for human resource development;

(b) support, including financial assistance not available under other existing government programs;

(c) outlines of the activities and responsibilities of each government with respect to the Measures;

(d) the division of costs between each government and the maximum amount thereof to be incurred; and

(e) where the costs of any Measures are to be shared between Canada and Prince Edward Island, a Subsidiary Agreement shall specify the cost sharing arrangements and the procedure for submission and reimbursement of claims between the parties, and may provide for advance payments and reimbursement by way of progress claims.

6.2.2 The Federal Minister shall designate a senior officer as an ex officio member of each Management Committee established pursuant to subsection 6.2. The Premier may designate a senior official as a member of each Management Committee established pursuant to subsection 6.2, provided that an equal number of voting members is maintained by both Canada and Prince Edward Island on each Management Committee.

6.2.3 Each Management Committee referred to in subsection 6.2 shall develop, each year on a quarterly basis, an estimate of actual and anticipated cash flows by year and by program. Each Management Committee will also assist the co-ordinators in the preparation for the annual ERDA review meeting by Ministers, as well as any other activities required relating to the overall co-ordinated implementation of this Agreement.

7.0 PUBLIC INFORMATION PROGRAM

7.1 Canada and Prince Edward Island will develop a public information program that will provide, wherever possible and in a manner satisfactory to the Federal Minister and the Premier, for the permanent and continuing recognition of the respective contributions of Canada and Prince Edward Island under this Agreement and under any Subsidiary Agreement.

8.0 EVALUATION

8.1 Each Measure implemented under Subsidiary Agreements shall contain appropriate provisions for evaluation. Canada and Prince Edward Island shall provide each other with such informaton as either party may reasonably require in order to undertake the evaluation of any Measure.

9.0 GENERAL

9.1 The term of this Agreement shall be for a period of ten years from April 1, 1984 to March 31, 1994, unless earlier terminated by mutual agreement. Either Government may terminate this Agreement at the end of any fiscal year, by giving to the other party two clear fiscal years' notice in writing of such termination, it being agreed that such notice will not be given sooner than three years from the date hereof. Subsidiary Agreements implementing initiatives that cannot be completed by the date of expiration or termination of this Agreement shall continue in force and effect until completion of the relevant initiative or expiration of the applicable Subsidiary Agreements, whichever is the later.

9.2 No Member of the Senate or the House of Commons shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of State for Economic and Regional Development, and on behalf of Prince Edward Island by the Premier of the Province of Prince Edward Island.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

Witness

Minister of State for Economic and Regional Development

GOVERNMENT OF PRINCE EDWARD ISLAND

Witness

Premier and President of the Executive Council

SCHEDULE "A"

ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT

INTRODUCTION

This schedule describes an economic development framework which will guide and support a range of targeted initiatives involving Canada and Prince Edward Island. The strategic priorities contained in the framework reflect a common understanding between both governments concerning the province's economic opportunities, constraints and future development prospects.

THE ECONOMIC DEVELOPMENT FRAMEWORK

The economic development framework consists of several elements: an historical perspective, an assessment of economic performance and future prospects, a summary of major issues, and finally, the strategic priorities for Prince Edward Island.

Historical Perspective

Prince Edward Island's early economy was based on its farms, forests and fisheries. Time witnessed the stripping of the forests, the decline in resource based manufacturing activities such as shipbuilding, and the beginnings of the farm consolidation process. The Island's economic development since Confederation, although shaped by forces acting on rural life generally in Canada, has diverged considerably from the Canadian norm. The lack of both metropolitan centres and a viable manufacturing sector, absence of resource industries and distance from major markets, resulted in those people moving off farms largely looking to Central Canada for employment opportunities. Consequently, population increased very moderately, the urbanization process advanced at a slower pace than in other provinces, and the economy maintained much of its ongoing primary industry emphasis. The last three decades have seen dramatic changes in the economic make-up of the province. A continuation in the off farm

movement has been accompanied by persistent growth in government activities and government transfers to persons. Today government is the major influence in the economy; by way of illustration, total government expenditure in P.E.I. was $762 million in 1981, or 86.8% of G.P.P.

Current Situation

The goods producing sector is dominated by the production and processing of food products with potatoes and lobster being the key commodities. With the exception of potatoes the province's production of any product is insignificant in the total Canadian picture; thus prices are externally set or controlled by federal or provincial government-sponsored price schemes. This means that the province's production units tend to be price takers to a large extent. As a result, many producers of primary products are subject to the "bust or boom" cycle which is not conducive to planned growth. Even when products are processed prices tend to fluctuate considerably.

The major structural difference between P.E.I.'s economy and that of Canada is that agriculture, fisheries, construction and public administration are comparatively more significant in the Island economy whilst manufacturing, mining and forestry are less so. Except for gravel, there are no known commercial deposits of minerals or fossil fuels.

By far the most critical difference lies in the manufacturing sector which is both small and tied to the resource sectors (75% food processing).

The long run population trend has been toward stability, with natural growth being largely counter-balanced by out-migration. Unfortunately, a high percentage of these migrants have been the better educated and more highly skilled adults in the 18-35 year age range. This has produced adverse consequences on labour force composition, and a population age structure relatively heavy at both ends of the age spectrum with concommitent social costs.

Employment is highly seasonal, reflecting the demands of the construction, tourist, food processing, and primary industries.

Employment participation rates have continued to remain the highest in Atlantic Canada, reflective perhaps of the high number of early school drop-outs and attractions of seasonal employment supplemented by unemployment insurance benefits, rather than plentiful job opportunities.

Wage rates and per capita incomes are the lowest in Canada at approximately 70% of the national average. Unemployment rates have always been amongst the highest in Canada, rarely falling below 10% even in boom periods, indicative of severe structural unemployment.

The structure of the provincial economy has led to a labour force composition with a lower proportion of skilled occupations in comparison to the nation as a whole; hence, despite high unemployment, manufacturers and government frequently must import skilled workers.

P.E.I.'s investment performance is of critical importance to efforts to achieve self-sustained economic growth. Per capita investment has varied between 50% - 80% of the national average, and the absolute dollar gap widened from $450/per capita in 1968 to $1,400/per capita in 1980. Slow rates of capital formation translate directly into slow rates of growth in productivity and per capita earned income.

Although government per capita expenditure is no higher in P.E.I. than many other parts of Canada, the prevailing lower levels of earned income and G.P.P. per capita have resulted in the amount and composition of direct and indirect government expenditures becoming very important forces in the economy.

Due to its small per capita tax base the province qualifies under national programs for extensive federal funding, both directly through the expenditures of federal government departments and agencies, and indirectly through transfers to the provincial government.

In summary, a high dependence on externally established commodity prices and seasonal industries, together with the lack of a substantial manufacturing base, have produced an economy which is extremely volatile and underdeveloped by Canadian standards.

Advantages/Disadvantages

Prince Edward Island's major advantages stem from its natural resources:-

It has a climate and soil conducive to growing excellent quality potatoes, vegetables, small fruits, and to raising livestock.

It has 500,000 acres of improved agricultural land, approximately 70,000 of which are annually utilized in the cultivation of potatoes, making the Island Canada's foremost producer.

It is a major force in the world supply of Atlantic lobster and Irish Moss, and has many sheltered, shallow estuaries to support a growing aquaculture industry.

It has a poorly managed and undeveloped resource in its 590,000 acres of forest land.

It has an attractive environment and lifestyle which welcomes some 600,000 tourists annually.

It has a sufficient supply of labour to support an expanded manufacturing base.

The socio-economic structure (such as theeducation and health systems) and government capacity improved remarkably during the last decade.

P.E.I. has some acute economic constraints: some the product of location, such as distance from major centres, and transportation difficulties associated with the ferry link; some the product of its resource base, such as the heavy dependence on a few commodities, a relatively small manufacturing sector, and the high cost of energy.

Economic Performance and Future Prospects

The historic slow growth and structural weaknesses in the economy resulted in amongst other things lower per capita incomes, higher unemployment, lower investment and lower productivity than existed elsewhere in Canada. In terms of growth in employment, personal income and real output, P.E.I. outperformed the Canadian

economy during the 1970s and immigration actually exceeded out-migration for the first time during the decade. However, the province continued to lag in new capital investment and population growth.

The Comprehensive Development Plan (1969-84) marked the first time the Government of Canada entered into an agreement with a province to effect improvements in all sectors of a provincial economy. There exists a general acknowledgement by both levels of government and the general public that federal-provincial co-operation had a positive economic impact. In particular the creation of an infrastructure capable of supporting a more competivite private sector has been established. Included in this infrastructure is modern schools, a university and technical college, an efficient system of public administration, an improved highway network, and industrial parks. In addition, the broad range of incentive programs contributed to a good performance in agriculture, fisheries and manufacturing, whilst the heavy direct government expenditures ensured a vibrant construction sector.

The future prospects for the Prince Edward Island economy depend largely on the ability of the private sector to capitalize on growth opportunities. Rapidly changing technologies combined with government assistance sensitive to Prince Edward Island's economic structure offer a potential for the province to achieve substantial economic growth and self-reliance.

Development Issues

The fundamental issues to be addressed over the next decade concern the creation of new jobs of sufficient number and quality to reduce unemployment and income disparities.

Prince Edward Island faces limited options in securing economic growth. There are no megaprojects or unexploited natural resources on the horizon. Earlier efforts to induce expansion in the manufacturing sector have met with limited success, and the small manufacturing base, distance from major markets, high transportation and energy costs argue against placing undue emphasis on this sector. Expansion of the service sector, particularly the government component which contributed considerably to recent economic growth,

has produced an unhealthy degree of reliance on government expenditures, and will be encouraged only to the extent that it results from or promotes growth in the private sector. Realistically then Prince Edward Island must direct its major thrust toward improving the competitive position of those sectors in which it has developed a comparative advantage.

In order to achieve sustained economic growth and create new job opportunities and higher incomes, Island producers of goods and services must significantly expand their output. This will require improved performance in three crucial areas. Firstly, enhanced marketing skills are required to secure new markets and improve marketing channels. Secondly, increased investment, the adoption of new technology, and more effective management are essential to raise productivity; and thirdly, greater emphasis must be placed on human resource considerations, including entrepreneurial and skills enhancement. A prerequisite to achieving improved economic performance is the reduction of major developmental constraints, namely high energy costs and inadequate transportation infrastructure.

Strategy

Through the vehicles of the Comprehensive Development Plan and the Federal Development Strategy, Prince Edward Island has been provided with much of the infrastructure essential to permit meaningful economic development to take place. Hence, although this Agreement allows for the filling of some infrastructure gaps which still persist, its major emphasis is on the creation of those conditions (including more reasonable energy and transportation costs) which will encourage private sector investment to create additional employment and income opportunites for the citizens of the province.

Within the general strategy stated in Article 3 of this Agreement, the two governments will co-operate on a continuing basis to assess development opportunities and encourage their realization.

Major structural differences between the economy of P.E.I. and the nation as a whole necessitate developmental efforts which will be

specifically formulated to reflect the unique circumstances of P.E.I. For example, government departments and agencies not usually regarded as direct contributors to economic development will be encouraged to address the Provinces' problems in imaginative ways other than solely through the direct transfer of dollars into the economy.

The following priorities are recognized by the federal and provincial governments as providing all citizens of Prince Edward Island with the best opportunity to take full advantage of growth potential, and in this manner contribute to the fullest extent to the future well being of Islanders and enable them to contribute more to the development of Canada.

a) Expansion of existing enterprises and increased formation of new enterprises by means of capital incentives, increased research and development, improved marketing practices, and selective infrastructure support.

b) Removal or reduction in developmental constraints, most notably high energy costs and inadequate transportation infrastructure.

c) Improved integration of production capacity with proven market opportunities.

d) Increased productivity by means of increased capital investment, application of modern technologies, and improvements in labour quality.

e) Improved utilization of human resources, in part through the integrating of human resource planning with development planning.

In applying the above strategy the following principles will guide regional development initiatives.

1) Regional development strategies should support and be supported by coherent national sectoral strategies.

2) The federal government's indispensable contribution to regional development will be through the provision of infrastructure, broadly defined to include all activities that support the private sector.

3) Where assistance is provided to the private sector it should, as much as possible, be based on the expectation that the economic activities supported will be self-sustaining in the long term.

4) The activities of the various levels of government should be clearly identifiable by Canadian taxpayers.

Canada

Prince Edward Island

ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENTS

BACKGROUNDER

In 1969 the Federal Government entered into the Comprehensive Development Plan Agreement with the Province of Prince Edward Island. This represented the first comprehensive approach to the economic development for a province in Canada. In 1974, the federal government entered into similar agreements called General Development Agreements (GDAs) with the other nine provinces. Under these agreements, the Department of Regional Economic Expansion entered into numerous Subsidiary Agreements with the provinces which provided for the co-operative undertaking of projects or programmes to enhance the development of each region. A number of these programmes continue in effect; the GDAs themselves, however, and the Comprehensive Development Plan expired on March 31, 1984.

On January 12, 1982, the Prime Minister announced a reorganization of the Government of Canada which, among other things, was designed to make regional economic development the responsibility of all economic departments, not just of a single department such as DREE. Overall coordination of the federal economic and regional development effort is now provided by the Cabinet Committee on Economic and Regional Development. Lead responsibility for this coordination rests with the Minister of State for Economic and Regional Development, the Honourable Donald J. Johnston, as set out in the Government Organization Act of 1983. The Minister of State for Economic and Regional Development is responsible for developing and negotiating with the provinces new umbrella agreements to succeed the GDAs and the Prince Edward Island Comprehensive Development Plan.

The purpose of the new Economic and Regional Development Agreements (ERDAs) is to provide a framework for cooperation and consultation on matters relating to economic development in each province and region. The agreements have a ten year term and:

- provide a framework within which measures for economic development may be taken in the provinces;

- identify development opportunities for implementation under subsidiary agreements and provide for the general coordination of all such agreements;

- provide that measures for economic development will, wherever possible, be taken by the federal or provincial governments through their respective programs and departments;

- ensure effective consultation and coordination between the federal and provincial governments in carrying out programs for economic development; and

- the ERDA instruments will, where appropriate, provide for joint undertakings with the provincial governments, but will clearly specify the measures to be taken by each government.

Obviously the new ERDAs will not all be alike but will reflect the particular economic development opportunities and constraints of each region.

Each document will consist of a general statement of objectives, an outline of the requirements and process of consultation and coordination, and a section covering other details such as duration, evaluation and any administrative arrangements for subsidiary agreements. In addition, each Agreement will be accompanied by a statement of medium term development priorities for each province.

Provisions for consultation and coordination would be key items. Each agreement will contain provisions for:

- annual ministerial consultation on priorities, identification of opportunities and possible subsidiary agreements;

- continuing consultation and coordination by designated officials; and

- initiatives to be undertaken by sectoral departments within the framework of priorities.

Background Release - May 31, 1984

ERDA - DELIVERY AND FUNDING

Under the ERDA approach, a wide variety of delivery and funding options are available.

1. Entirely federal funding and entirely federal direct delivery: where the federal government has the delivery capacity in place and places a high priority on the program or project to achieve regional economic development priorities.

2. Entirely provincial funding and entirely provincial direct delivery: where the provincial government has the delivery capacity in place and sets a high priority on the program or project to achieve regional economic development priorities.

3. Third-party delivery: where neither party has the delivery capacity in place or where third-party delivery would ensure better results. In this case either party (federal or provincial) could "deliver" in the sense of letting a contract and paying on performance, and the funding could be 100% federal, 100% provincial, or joint.

4. Parallel Delivery: refers to the case where an entirely federally funded and delivered program and an entirely provincially funded and delivered program are implemented in a coordinated manner to reach a mutually agreed objective.

5. Joint funding: where both parties agree that the program or project should be undertaken but where one party is not prepared to proceed without a financial contribution from the other. This could involve either federal or provincial delivery, with an agreed portion of the cost charged back to the other party. Where neither party has the delivery capacity, third party delivery could be jointly funded (e.g. one party lets the contract but charges back to the other the agreed proportion of this cost).

6. Cost-sharing. This term can apply to the sharing of costs of jointly-funded programs or projects, whether federally, provincially, or third-party delivered. Alternatively it could apply to the relative expenditures of the two parties in the agreement as a whole, across all programs, whether federally, provincially or third party delivered and whether jointly or separately funded. Most agreements are likely to contain some 100% federally funded and delivered programs, some 100% provincially funded and delivered, and some jointly funded (delivered by one or another of the parties directly or by contract with third parties). Choice of options arises out of the nature of the programs and projects proposed. These are normally set out clearly in schedules attached to the agreement.

7. Joint Management. Each sub-agreement provides explicitly for a management process to ensure orderly and coordinated implementation of the agreement while respecting the accountability of participating ministers and their officials. Normally, joint management would be provided for jointly funded programs, and coordination for separately funded programs. That is, a 100% federally funded and delivered program would be managed by the federal party to the agreement and coordinated with the other elements. A jointly-funded program would be managed jointly and delivered by one or another of the parties or a third party.

Canada

Prince Edward Island

CANADA - PRINCE EDWARD ISLAND

ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT

COURSE OF ACTION: 1984-85

CANADA - PRINCE EDWARD ISLAND

ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT

COURSE OF ACTION: 1984-85

Canada and Prince Edward Island agree that between the ERDA Ministerial meeting of June 13th, 1984, and the subsequent ERDA Ministerial meeting which will take place in approximately seven months time, they will undertake a number of measures in support of ERDA development priorities. Canada and Prince Edward Island have agreed, today, to implement six subsidiary agreements under the ERDA, namely an amendment to the Canada-P.E.I. Forestry Agreement, an Alternative Energy Development Agreement, an Agri-Food Development Agreement, a Transportation Agreement, a Fisheries Development Agreement and a Planning Agreement. In addition, in other priority areas, namely industrial development, marketing and tourism, approval in principle has been reached on a broad range of initiatives and formalized agreements in the immediate future. In the crucial area of science and technology development the intention of both governments is to immediately explore a number of initiatives which is reflected in a Memorandum of Understanding. A brief synopsis of the measures that will comprise the Course of Action for the coming year is provided below.

1. Economic Development Planning Agreement

The federal Minister of State for Economic and Regional Development and the Premier of Prince Edward Island will implement the first year of study activities under the five-year, $1 million Planning Agreement, which is intended to allow for the determination of development opportunities and strategies for the province.

Both governments have agreed that productivity, technology, energy, transportation, environmental concerns and cultural enterprises are priorities which will be addressed in the year ahead.

These issues affect many segments of society, and many federal and provincial departments. Ministers have agreed to name members of the Management Committee, as provided for in the Agreement, who may establish federal-provincial working groups in each of the priority planning areas. The two levels of government will work toward consensus-based strategies that will focus development efforts in the future. In addition, sectoral departments will be expected to continue to provide financial and human resources to the overall planning effort insofar as it affects their respective areas of jurisdiction.

2. Forestry Development Agreement

In July, 1983, the Canada-Prince Edward Island Forest Development Agreement was initiated. This agreement anticipated the joint federal-provincial funding and management of a 5-year, $20 million program to stimulate the contribution of the forest resource to the provincial economy. This agreement will now be brought under the purview of the ERDA for the four years which remain before its expiry.

3. Agri-Food Development Agreement

The agricultural sector has long been the mainstay of the provincial economy with its strong linkages to the manufacturing and service sectors and major export earnings. The ERDA strategic priorities recognize the need for continued productivity gains, overall expansion, and increased value added within Prince Edward Island's agricultural sector. Fortunately, the sector provides the opportunities for achieving these goals in an economically efficient and viable manner since the province has a demonstrated comparative advantage in several aspects of production.

The federal and provincial Ministers of Agriculture will implement a joint subsidiary agreement to enhance the productivity, growth and overall contribution of the agricultural sector to the Island economy. It is expected that development initiatives will focus on issues such as improved soil and water management, increased adoption of new technology, improvement of livestock and crop health, human resource development and improved marketing and farm management practices.

It is envisaged that $41 million will be expended under this agreement, $26 million by the federal government and $15 million by the provincial government.

4. Alternative Energy Development Agreement

It is a well known and documented fact that energy costs on Prince Edward Island are both higher than the national average and higher than neighbouring provinces. Approximately 88% of the energy used in the industrial sector is in the form of costly imported oil products resulting in a major economic constraint to P.E.I.'s existing industries. Existing national and regional incentive programs adequately address the needs of P.E.I. in terms of energy conservation; however, the federal and provincial Ministers of Energy agree that the specific needs of P.E.I. to develop and deliver indigenous energy supplies must be continued.

The federal and provincial Ministers of Energy have negotiated a joint subsidiary agreement to take advantage of opportunities for greater utilization of indigenous wood/biomass to generate energy. Initiatives in the field of energy from waste, wood-chip heating and further studies of energy alternatives are also contemplated.

The above noted initiatives are intended to promote lower energy costs on Prince Edward Island. Levels of public expenditures on these inititiatives will total $10.0 million, of which the federal government will expend $8 million and the provincial government $2 million.

5. Transportation Agreement

The development of an efficient and economic transportation system is an important element in the economic development strategy for Prince Edward Island. Given the fact that the province is an island province with a small population base, requiring that most locally produced goods be sold on external markets, transportation systems take on added importance.

The federal Minister of Transport and the provincial Minister of Transportation and Public Works have negotiated a joint subsidiary agreement which will address the needs of the transportation sector and continue the work to upgrade the transportation systems serving the province. It is expected that development initiatives will focus on highway and port development.

Transportation initiatives will total $41.9 million over the term of the agreement, with the federal government expending $25.0 million and the provincial government $16.9 million.

6. Tourism Agreement

Studies have shown that, relatively speaking, tourism contributes more to the economy of P.E.I. than to the economy of any other province of Canada. In 1982, for example, the tourist industry was responsible for 10.6% of provincial employment, 14.8% of G.P.P., 5.0% of provincial revenue and 6.2% of provincial investment.

The federal Minister of Regional Industrial Expansion and Minister of State for Small Business & Tourism and the Provincial Minister of Finance and Tourism agree that tourism is an industry in which P.E.I. has a comparative advantage and which has the potential to contribute even more to provincial economic growth in future years. Ministers, intend to finalize negotiations on a joint subsidiary agreement to enhance the contribution of tourism to the provincial economy. It is anticipated that this agreement will be signed in the coming weeks. The major components of this agreement will be marketing, product development, and infrastructure development.

An expanded marketing effort, while covering traditional "family vacation" markets, will also focus on specific market segments and special interest groups with the aim of significantly increasing P.E.I.'s share of this market. This market segment will also require the development of innovative product packages, e.g. a golf package for golfers, and additional inclement weather facilities and major attractions. Unused capacity is available in all components of the tourism plant at times other than during the few peak summer

weeks. Increased shoulder season utilization could substantially increase the viability of the tourism plant and will be a major objective of the Agreement.

7. Fisheries Development Agreement

To maximize the potential of the fisheries resource in Prince Edward Island, the federal and provincial Ministers of Fisheries have agreed to enter into a fisheries development agreement today. The Prince Edward Island fishery has potential for further development. Efforts will be directed toward allowing the industry to become self-sustaining, and toward maximizing the economic returns from the resource. The viability of the industry will be enhanced by obtaining the highest market value for the product. Efforts will also be directed at improving productivity in harvesting and processing. The provision of essential services to fishermen and the industry will permit objectives of higher quality and improved productivity to be attained.

8. Industrial Development Agreement

The manufacturing sector in Prince Edward Island, which has grown appreciably in recent years, remains highly underdeveloped by Canadian standards. It is expected to play a key role in the provincial economy in future years both as an essential market for and transformer of primary produce, and as a creator of additional income and employment opportunities, expecially for the more highly qualified Islanders.

The Federal Minister of Regional and Industrial Expansion and the Provincial Minister of Industry will immediately finalize negotiations on a joint subsidiary agreement which will address industrial development priorities. It is expected that such development initiatives will serve to complement the Industrial and Regional Development Program.

9. Market Development Agreement

Compared to other parts of Canada, or indeed the world, Island production units in all sectors tend to be small and lacking in specialized personnel. Since virtually all agricultural, fisheries, processing and manufacturing output must be marketed outside of the province, often in international markets, the lack of

marketing expertise and the traditional production orientation of Prince Edward Island firms have been major growth barriers.

A core of marketing expertise has been created through the establishment of the P.E.I. Market Development Centre. Both levels of government are pleased at the progress the Market Development Centre has made and recognize the continuing need to support improved marketing practices in the province. Consequently, the federal Minister of Regional and Industrial Expansion and the provincial Minister of Industry will finalize negotiations on a joint subsidiary agreement designated to assist the private sector expand markets which will be signed in the coming weeks.

10. Science and Technology Development Memorandum of Understanding

On April 12, 1984, the provincial government issued a strategy paper, entitled "Blending Tradition and Innovation", which outlined future economic development directions for the province. A common and crucial ingredient in both this paper and the ERDA development strategy is the emphasis on productivity improvement as the primary means of securing competitive advantage and concommitant economic expansion. Improving productivity will, to a large extent, depend on both the degree to which existing Island business can utilize advances in science and technology and the degree to which P.E.I. can benefit from the changing locational economies of newer "third wave" industries to attract new initiatives to the Island, thus broadening its economic base.

Therefore, both governments agree to work towards the preparation of a Memorandum of Understanding on Science and Technology.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

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Witness

_____
Minister of State for Economic and Regional Development

GOVERNMENT OF PRINCE EDWARD ISLAND

_____
Witness

_____
Premier and President of the Executive Council